

RD AN No. 4147 (1942-A)
March 6, 2006

TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Russell T. Davis (**Signed by Russell T. Davis**)
Administrator
Housing and Community Facilities Programs

SUBJECT: Parity Lien Requirements

PROPOSED/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify that when a Community Facilities (CF) direct loan and a guaranteed loan are made on the same project, it will be considered all CF financing; therefore, a parity lien positions will normally be required.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4032 (1942-A), which expired on December 31, 2005.

IMPLEMENTATION RESPONSIBILITIES:

For clarification purposes, the reference to “another” or “other lender” in RD Instruction 1942-A, section 1942.17(g)(1), means a lender not receiving a Community Facilities (CF) guarantee. Whenever both a CF guaranteed loan and a direct loan are utilized to finance a CF project, we consider this financing to be all CF financing. As a matter of policy, we will require a parity lien. An exception to this policy is when the lender making a CF guaranteed loan cannot meet its regulatory requirements.

EXPIRATION DATE:
January 31, 2007

FILING INSTRUCTIONS:
Preceding RD Instruction 1942-A